



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

INFORMATIONAL LETTER NO. 748

DATE: September 18, 2008

TO: Iowa Medicaid Critical Access Hospitals

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

RE: Implementation of New Outpatient Hospital Interim Payment Methodology Effective October 1, 2008

As of October 1, 2008, the Medicaid payment for outpatient hospital services under the Ambulatory Patient Group (APG) methodology is changing to the Medicare Ambulatory Patient Classification (APC) method.

- **For Critical Access Hospitals, the interim payment methodology is a percent of covered charges for dates of service on or after October 1, 2008.**
- The change to the APC methodology will result in payment being based on covered charges multiplied by your facility's current Medicaid outpatient cost to charge ratio. The outpatient cost to charge ratio that will be used will be from your facility's last tentative settlement calculation.
- The retrospective cost settlement process at the end of your fiscal year will remain unchanged.

The IME's Claims processing system will be updated effective October 1, 2008 so that all claims with dates of service on or after that date will be processed under the new interim payment methodology.

Please note that **these payment changes do not apply to inpatient interim payments**. Inpatient interim payments to CAHs will continue to be based on calculated inpatient DRG base rates.

Following is a summary of other changes that will be implemented simultaneously. These changes were previously communicated in a letter to critical access hospitals dated July 2, 2008. Additional information is provided on the IME website address at: <http://www.ime.state.ia.us/providers> under "Important Provider Announcements".

Other Important Changes to CAH Reimbursement:

- ✓ **72 hour rule** - CAHs will no longer be subject to the 72-hour rule. Outpatient services prior to the date of admission must be billed as such and on a separate bill from inpatient services. Outpatient services rendered on the date of admission are still billed and paid separately as outpatient services. Under the ambulatory patient group (APG) methodology, all outpatient services occurring within a 72-hour period were submitted and paid on a single claim. Under the new interim payment methodology, outpatient services provided within a 72-hour period may be billed on separate claims.
- ✓ **NDCs and J-code procedures** - While the change to APCs generally requires that NDCs be reported with any separately billed J code drugs, the IME recognizes that this generally will not apply to CAHs. This is because most CAHs would include any “J” code charges in their outpatient charge master. Consistent with past CMS guidance, such would be considered a “bundled” billing methodology. As such, and based on that CMS guidance, there is not a requirement that NDCs for those J code charges be included on the claim. However, to the extent a CAH would have occasion to bill any J code separately for dates of service on or after October 1, 2008, then the NDC requirement would apply to CAHs.

If you have any questions please contact the IME Provider Cost Audit and Rate Setting Unit at 1-866-863-8610 or 515-725-1108 or by e-mail at: costaudit@dhs.state.ia.us.